# News Release



#### Crombie REIT (TSX:CRR.UN)

610 East River Road, Suite 200 New Glasgow, Nova Scotia B2H 3S2

May 13, 2015

### **CROMBIE REIT REPORTS FIRST QUARTER RESULTS**

Crombie Real Estate Investment Trust ("Crombie") (TSX:CRR.UN) is pleased to report its financial results for the three months ended March 31, 2015.

First Quarter 2015 Highlights (In thousands of CAD dollars, except per unit amounts and as otherwise noted).

- Portfolio fair value of \$4.0 billion.
- Funds From Operations ("FFO"):
  - FFO for the three months ended March 31, 2015 increased 3.7% to \$35,772; or \$0.27 per unit Diluted, a decrease of \$0.01 per unit from the three months ended March 31, 2014. The variance was impacted by the write off of the deferred finance charges on the early redemption of the \$45,000 Series C convertible debentures.
  - FFO payout ratio of 81.3% for the three months ended March 31, 2015 compared to 79.3% for the same period in 2014.
- Adjusted Funds From Operations ("AFFO"):
  - AFFO for the three months ended March 31, 2015 increased 4.0% to \$29,917; or \$0.23 per unit Diluted, unchanged from the three months ended March 31, 2014.
  - AFFO payout ratio of 97.2% for the three months ended March 31, 2015 compared to 95.1% for the same period in 2014.
- Same-asset Cash Net Operating Income ("NOI") for the three months ended March 31, 2015 increased by \$157 to \$58,598 compared to \$58,441 for the three months ended March 31, 2014.
- Property revenue for the three months ended March 31, 2015 of \$92,501, an increase of \$1,588 or 1.7% over the three months ended March 31, 2014.
- Occupancy, on a committed basis, was 94.1% at March 31, 2015 compared with 94.0% at December 31, 2014 and 93.1% at March 31, 2014
- · Crombie's renewal activity during the first three months ended March 31, 2015, included;
  - Renewals on 80,000 square feet of 2015 expiring leases at an average rate of \$17.24 per square foot, an increase of 8.0% over the expiring lease rate; and
  - Renewals on 15,000 square feet of 2016 and later expiring leases at an average rate of \$21.12 per square foot, an increase of 6.8% over the expiring lease rate.
- New leasing activity affecting 2015 includes replacing 122,000 square feet of vacant or maturing space at an average rate of \$13.65 per square foot and 32,000 square feet of new square footage on existing properties at an average rate of \$13.61 per square foot.
- Debt to gross book value (fair value basis) was 52.2% at March 31, 2015, compared to 53.1% at March 31, 2014.
- Strong 2.62 times interest coverage. Weighted average interest rate on mortgages reduced to 4.77% from 4.79% at March 31, 2014.
- Closed \$125,000 principal amount Series C Five Year Senior Unsecured Notes offering with an effective yield of 2.775% on February 10, 2015.

- Redeemed the \$45,000 5.75% Series C Convertible Debentures on February 18, 2015.
- Completed acquisition of an addition to an existing retail property totalling 51,000 square feet for a total purchase price of \$12,650 before
  closing and transaction costs.

Donald E. Clow, FCA, President and CEO commented: "The first quarter saw continued stable operations, good traction on planned 2015 acquisition and capital recycling priorities and solid progress on evaluating the development of our first six major projects across Canada, including four mixed use projects in Western Canada. With the issuance of \$125 million of five year unsecured notes at 2.775% and the redemption of \$45 million of 5.75% convertible debentures, we are pleased with the strengthening of Crombie's financial condition and lower cost of capital. Our recognition as one of *Canada's Top Small & Medium Employers* in March recognizes the accomplishments of our team and the continued improvement of our platform across Canada."

#### **Financial Highlights**

Crombie's key financial metrics for the three months ended March 31, 2015 are as follows:

	Three months ended March 31, 2015 2014			
				2014
Property revenue	\$	92,501	\$	90,913
Operating income attributable to Unitholders	\$	16,702	\$	15,900
Operating income attributable to Unitholders per unit - basic	\$	0.13	\$	0.13
Operating income attributable to Unitholders per unit - diluted	\$	0.13	\$	0.13
FFO – basic	\$	35,772	\$	34,494
FFO – diluted	\$	37,824	\$	36,841
FFO per unit – basic	\$	0.27	\$	0.28
FFO per unit – diluted	\$	0.27	\$	0.28
FFO payout ratio (%)	81.3%		79.3%	
AFFO – basic	\$	29,917	\$	28,769
AFFO – diluted	\$	31,225	\$	30,372
AFFO per unit – basic	\$	0.23	\$	0.23
AFFO per unit – diluted	\$	0.23	\$	0.23
Distributions per unit	\$	0.22	\$	0.22
AFFO payout ratio (%)		97.2%	· )	95.1%

The increase in FFO and AFFO for the three months ended March 31, 2015 was primarily due to acquisitions and completed development activity during 2014, resulting in growth in property NOI.

The table below presents a summary of financial performance for the three months ended March 31, 2015 compared to the same period in fiscal 2014.

(In thousands of CAD dollars, except per unit amounts and as otherwise		Three months ended March 31,		
noted)		2015	2014	
Property revenue	\$	92,501 \$	90,913	
Property operating expenses		30,183	29,554	
Property NOI		62,318	61,359	
NOI margin percentage		67.4%	67.5%	
Other items:	'			
Gain (loss) on derecognition of investment properties		(2)	(157)	
Depreciation and amortization		(16,522)	(16,525)	
General and administrative expenses		(3,474)	(3,756)	
Operating income before finance costs and taxes		42,320	40,921	
Finance costs – operations		(25,418)	(25,246)	
Operating income before taxes		16,902	15,675	
Taxes – deferred		(200)	225	
Operating income attributable to Unitholders		16,702	15,900	
Finance costs – distributions to Unitholders		(29,076)	(27,355)	
Finance income (costs) – change in fair value of financial instruments		(268)	55	
Decrease in net assets attributable to Unitholders	\$	(12,642) \$	(11,400)	
Operating income attributable to Unitholders per Unit, Basic	\$	0.13 \$	0.13	
Operating income attributable to Unitholders per Unit, Diluted	\$	0.13 \$	0.13	
Basic weighted average Units outstanding (in 000's)		130,489	122,723	
Diluted weighted average Units outstanding (in 000's)		130,655	122,906	
Distributions per Unit to Unitholders	\$	0.22 \$	0.22	

# **Growth Highlights**

(In thousands of CAD dolla	ars)		Initia GLA	l Purchase Price	Occupancy	Key Tenants
Acquisitions in Q1	,					
Leduc Towne Centre	Leduc	AB	51,000 \$	12,650	100%	Giant Tiger, Shoppers Drug Mart

# **Operating Highlights**

	Three months ended March 31,		
(In thousands of CAD dollars)		2015	2014
Property NOI	\$	62,318 \$	61,359
Non-cash straight-line rent		(2,694)	(2,754)
Non-cash tenant incentive amortization		2,346	2,137
Property cash NOI		61,970	60,742
Acquisitions, dispositions and development property cash NOI		3,372	2,301
Same-asset property cash NOI	\$	58,598 \$	58,441

Same-asset property cash NOI is as follows:

(In thousands of CAD dollars)	Three months ended March 31,		
		2015	2014
Retail and Mixed Use	\$	55,974 \$	55,501
Office		2,624	2,940
Same-asset property cash NOI	\$	58,598 \$	58,441

Property NOI, on a cash basis, excludes straight-line rent recognition and amortization of tenant incentive amounts. The +0.3% increases in same-asset property cash NOI for the three months ended March 31, 2015 is primarily the result of increased average rent per square foot from leasing activity and rental rate increases in existing leases as well as improved recovery rates. The lower growth rate was primarily impacted by the downsizing of Bell Aliant at Halifax Developments Scotia Square property.

Crombie believes that cash NOI is a better measure of AFFO sustainability and same-asset property performance.

Acquisitions, dispositions and development property cash NOI is as follows:

	Three months ended March 31,			
(In thousands of CAD dollars)		2015		2014
Acquisitions and dispositions property cash NOI	\$	2,539	\$	1,135
Development property cash NOI		833		1,166
Total acquisitions, dispositions and development property cash NOI	\$	3,372	\$	2,301

Growth in acquisitions and dispositions property cash NOI reflects the level of property acquisitions throughout 2014, primarily in the fourth quarter.

Subsequent to quarter end Crombie received notice that Target Canada has disclaimed all three leases in our portfolio. Rent payments will cease at Sydney Shopping Centre in Sydney, NS and Uptown Centre in Fredericton, NB on May 31, 2015. The lease at the North Bay, ON location is guaranteed by Target Corporation. Crombie has been actively leasing these spaces since Target entered CCAA in January 2015.

#### **Capital Highlights**

	Three months ended March 31,		
	2015	2014	
Weighted Average Mortgage Term	7.3 years	7.9 years	
Weighted Average Mortgage Interest Rate	4.77%	4.79%	
Debt to Gross Book Value (Fair Value)	52.2%	53.1%	
Interest Coverage	2.62x	2.53x	
Debt Service Coverage	1.75x	1.69x	

Crombie's objectives when managing its capital structure are to optimize weighted average cost of capital; maintain financial flexibility through access to long-term debt and equity markets; and maintain ample liquidity. In pursuit of these objectives, Crombie utilizes staggered debt maturities, optimizes its ongoing exposure to floating rate debt, pursues a range of fixed rate secured and unsecured debt and maintains sustainable payout ratios. Crombie has an authorized floating rate revolving credit facility of up to \$300,000, subject to available borrowing base, of which \$92,887 was drawn as at March 31, 2015, and an additional \$979 encumbered by outstanding letters of credit, resulting in significant available liquidity.

Debt to gross book value on a fair value basis is 52.2% (including convertible debentures) at March 31, 2015, compared to 53.1% at March 31, 2014.

## **General and Administrative Expenses**

General and administrative expenses, as a percentage of property revenue, were 3.8%, a decrease of 0.3% from the 4.1% for the same period in 2014, with expenses decreasing \$282 or 7.5% and property revenue increasing 1.7%. The improvement is primarily due to lower salary and benefit expenses.

#### **Definition of Non-GAAP Measures**

Certain financial measures included in this news release do not have standardized meaning under IFRS and therefore may not be comparable to similarly titled measures used by other publicly traded entities. Crombie includes these measures because it believes certain investors use these measures as a means of assessing Crombie's financial performance.

- Property NOI is property revenue less property operating expenses.
- · Property Cash NOI is Property NOI adjusted to remove non-cash straight-line rent and tenant incentive amortization.
- · Debt is defined as bank loans plus investment property debt, senior unsecured notes and convertible debentures.
- Gross book value means, at any time, the book value of the assets of Crombie and its consolidated subsidiaries plus deferred financing charges, accumulated depreciation and amortization in respect of Crombie's properties (and related intangible assets) and cost of any below-market component of properties less (i) the amount of any receivable reflecting interest rate subsidies on any debt assumed by Crombie; (ii) subscription receipts held in trust; and (iii) the amount of deferred income tax liability arising out of the fair value adjustment in respect of the indirect acquisitions of certain properties. Gross book value (fair value basis) differs from gross book value as defined above in that it includes Crombie's investment properties at fair value and excludes the book value of investment properties and related accumulated depreciation and amortization as well as intangible assets, tenant incentives and accumulated straight-line rent receivable.
- EBITDA is calculated as property revenue, adjusted to remove the impact of amortization of tenant incentives, less property operating expenses and general and administrative expenses.
- FFO is calculated as Increase (decrease) in net assets attributable to Unitholders (computed in accordance with IFRS), excluding gains (or losses) from sales of depreciable real estate, plus depreciation and amortization expense, deferred income taxes, finance costs - distributions to Unitholders, impairment charges and recoveries and change in fair value of financial instruments.
- AFFO is defined as FFO adjusted for non-cash amounts affecting revenue, amortization of effective swap agreements, less maintenance
  capital expenditures, maintenance tenant incentives and deferred leasing costs, and the settlement of effective interest rate swap agreements.

For additional information on these non-GAAP measures see our Management's Discussion and Analysis for the period ended March 31, 2015.

Crombie's interim condensed consolidated financial statements and management's discussion and analysis for the three months ended March 31, 2015 can be found on Crombie's web site at <a href="www.crombiereit.com">www.crombiereit.com</a> or on the SEDAR web site for Canadian regulatory filings at <a href="www.sedar.com">www.sedar.com</a>.

#### **About Crombie**

Crombie is an open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario. Crombie currently owns a portfolio of 255 retail and office properties across Canada, comprising approximately 17.4 million square feet with a strategy to own and operate a portfolio of high quality grocery and drug store anchored shopping centres and freestanding stores primarily in Canada's top 36 markets.

This news release contains forward-looking statements that reflect the current expectations of management of Crombie about Crombie's future results, performance, achievements, prospects and opportunities. Wherever possible, words such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect current beliefs and are based on information currently available to management of Crombie. Forward-looking statements necessarily involve known and unknown risks and uncertainties. A number of factors, including those discussed in the 2014 annual Management Discussion and Analysis under "Risk Management", could cause actual results, performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and a reader should not place undue reliance on the forward-looking statements. There can be no assurance that the expectations of management of Crombie will prove to be correct. Readers are cautioned that such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from these statements. Crombie can give no assurance that actual results will be consistent with these forward-looking statements.

Specifically, this document includes, but is not limited to, forward-looking statements regarding:

- (i) general growth and development opportunities and expansion across Canada, which could be impacted by real estate market cycles, the availability of labour, financing, capital resource allocation decisions and general economic conditions, as well as development activities undertaken by related parties and not under the direct control of Crombie; and,
- (ii) overall indebtedness levels and terms and expectations relating to refinancing, which could be impacted by the level of acquisition activity that Crombie is able to achieve, future financing opportunities, future interest rates and market conditions.

#### **Conference Call Invitation**

Crombie will provide additional details concerning its quarter ended March 31, 2015 results on a conference call to be held Thursday, May 14, 2015, at 12:00 p.m. Eastern time. To join this conference call you may dial (647) 427-7450 or (888) 231-8191. You may also listen to a live audio web cast of the conference call by visiting Crombie's website located at <a href="https://www.crombiereit.com">www.crombiereit.com</a>. Replay will be available until midnight May 28, 2015 by dialing (416) 849-0833 or (855) 859-2056 and entering pass code 25810197, or on the Crombie website for 90 days after the meeting.

For further information, please contact:
Glenn Hynes, FCA
Executive Vice President, Chief Financial Officer and Secretary
Crombie REIT
(902) 755-8100